

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, MAY 26, 2020 — except where noted



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**MAY:** Volatility continues to be the norm for milk prices as the COVID-19 pandemic continues. However, for the last three weeks, milk prices have trended up more than down, even though much of the U.S. economy is still shut down. In a conference call hosted by the Center on May 26, 2020, Matt Gould, editor and analyst for Dairy and Food Market Analysis, said the recent uptick in price can be attributed to efforts the dairy industry and government undertook to manage an oversupplied market in the early stages of the pandemic.

As part of the Coronavirus Food Assistance Program (CFAP), the government has been buying large amounts of excess dairy products to distribute to Americans in need. Retail sales have remained strong while foodservice sales are starting to increase as economies prepare to progressively open. Many cooperatives and dairy processors asked farmers to reduce production by as much as 20 to 25% in some parts of the country. With a cheap U.S. milk supply, exports did not suffer as badly as anticipated. According to Gould, all of this has created a temporary short supply for raw milk.

At the close of the market on May 26, 2020, average Class III price for the next 12 months was up to \$16.02 per hundredweight (cwt), an increase of \$1.57 compared to the end of April. The Class IV average price for the next 12 months is \$14.55 per cwt. This is up \$1.92 per cwt compared to the end of April. Milk price is not yet where it needs to be, but it is starting to look more manageable than what it did just a month ago.

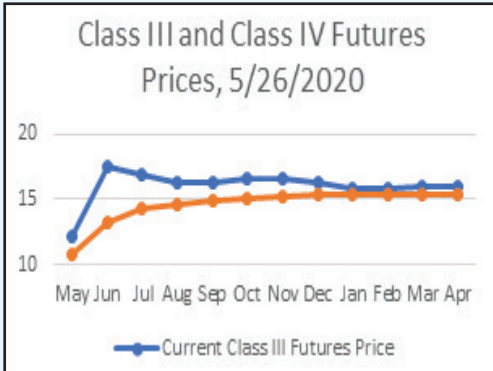
April U.S. milk production was up 1.45% compared to last year driven by a 0.53% increase in cow numbers and a 2.24% increase in milk production per cow. The national herd is now 9.381 million. Dairy cow slaughter was up over 4% from last April to 279,400. Perhaps part of this increase is due to higher culling because of dairy farmers reducing milk production to meet the request of their milk marketers.

Pennsylvania milk production was up 2.2% compared to April 2019, while cow numbers were down 2%. For the second month in a row, the Pennsylvania milk herd was 485,000 head, down 10,000 head compared to last April. The

average Pennsylvania milk cow is producing 3.1 pounds more milk than she was last year. Perhaps better forage quality can help explain part of the increased April production compared to last year.

The export value in March was 9.88% more than March 2019. March exports were valued at \$582.2 million. Imports were also up versus last March to \$289.3 million. This represents an increase of 6.7% compared to last year.

The Small Business Administration is still accepting applications for the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loans (EIDL). If you apply or have already applied for an EIDL, it is recommended that prior to accepting the loan, consult with your current lender to review the conditions of the loan prior to signing anything. Some conditions of the EIDL may hinder your current lender's ability to loan additional money in the future and it may hinder your ability to use an existing credit line. Claudia Larson, from the National Milk Producers Federation, speaking on the Center's May 26 conference call said, "If you have applied for the EIDL Program but have not heard back from the SBA yet, it is recommended that you use the application number you received when you applied and call the assistance number and ask the status of your application."



Prices change daily. This market information is an example for educational purposes. The market data below are compiled weekly by Farmshine, via CME & USDA reports

## CME DAILY FUTURES & OPTIONS TRADING — MAY 26, 2020 AT THE CLOSE

	MAY-20	JUN-20	JUL-20	AUG-20	SEP-20	OCT-20	NOV-20	DEC-20	JAN-21	FEB-21	MAR-21	APR-21	TREND			
<b>CLASS III MILK FUTURES (\$/CWT)</b>	12.19	17.52	16.86	16.28	16.27	16.53	16.55	16.24	15.90	15.89	16.03	16.01	↑↑			
WEEK AGO	12.27	17.28	16.82	16.47	16.38	16.49	16.47	16.23	15.90	15.89	16.03	16.01				
<b>HIGHEST &amp; LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED</b>	17.76 12/19	17.62 01/20	17.73 01/20	17.85 01/20	17.95 01/20	18.05 01/20	18.01 01/20	17.95 01/20	17.67 01/20	17.67 01/20	17.85 01/20	17.40 01/20				
	10.39 04/20	11.16 04/20	13.11 04/20	14.31 04/20	14.61 03/20	14.52 11/18	14.52 11/18	14.65 03/20	14.66 03/20	14.80 03/20	14.82 03/20	14.62 03/20				
<b>MILK BASIS (\$/CWT) — PA BASIS &amp; 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)</b>	PA 1.19	1.60	1.28	1.01	0.85	1.33	1.87	1.70	2.75	2.30	1.81	1.58				
*AVG	1.25	2.14	1.80	1.12	0.90	1.32	1.82	1.65	2.72	2.70	2.25	2.02				
<b>MPP/DMC OFFICIAL GROSS MARGINS per cwt. (USDA All-Milk, com/alfalfa hay &amp; Illinois soybean prices, feed for all classes of dairy cattle on the farm)</b>	DMC FEB-19	MAR-19	APR-19	MAY-19	JUN-19	JUL-19	AUG-19	SEP-19	OCT-19	NOV-19	DEC-19	JAN-20	FEB-20	*MAR-20		
	7.91	8.66	8.82	9.00	8.63	9.27	9.85	10.41	10.88	12.21	11.95	10.72	10.06	*9.15	↓↓	
<b>U.S. AVG MILK MARGIN per 100 lbs milk based on 75-lb herd avg &amp; USDA's All-Milk price, USDA-reported com &amp; alfalfa hay &amp; Ill. soybean prices (lactating feed only)</b>	FEB-19	MAR-19	APR-19	MAY-19	JUN-19	JUL-19	AUG-19	SEP-19	OCT-19	NOV-19	DEC-19	JAN-20	*FEB-20	*MAR-20	*APR-20	
	11.00	11.63	11.61	11.76	11.82	12.52	12.94	13.39	13.98	15.29	14.94	13.86	*13.18	*12.23	*7.98	↓↓
<b>PA AVG MILK MARGIN per 100 lbs milk based on 75-lb herd average and USDA's PA All-Milk price, USDA com &amp; alfalfa hay &amp; Buff., NY soybean prices (lactating feed only)</b>	OCT-16	MAR-17	JUN-17	NOV-17	FEB-18	MAY-18	AUG-18	NOV-18	FEB-19	MAY-19	AUG-19	NOV-19	FEB-20	MAR-20	APR-20	
	10.46	10.37	11.21	11.54	11.52	11.48	12.73	13.17	13.09	13.76	13.78	13.10	*12.20	*11.24	*7.61	

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium		CORN (\$/BU) OPTIONS — CALLS		SOYMEAL (\$/TON) OPTIONS — CALLS											
JUL-20	12.25 0.04	SEP-20	17.50 0.36	DEC-20	16.75 0.65	MAR-21	16.25 0.82	MAR-21	3.05 18.20	MAR-21	3.20 18.60	MAR-21	3.40 18.60	MAR-21	3.60 18.00
	17.50 0.36		16.75 0.65		16.25 0.82		16.50 0.95		265 20.90		270 21.85		280 20.75		280 21.55
	16.75 0.65		16.25 0.82		16.50 0.95		16.50 0.90		295 02.80		320 03.00		340 03.70		360 03.40

CORN FUTURES (\$/BU)		SOYMEAL FUTURES (\$/TON)	
JUL-20	3.204	JUL-20	282.0
SEP-20	3.252	AUG-20	284.4
DEC-20	3.344	SEP-20	286.7
MAR-21	3.464	OCT-20	288.5
MAY-21	3.540	DEC-20	292.2
JUL-21	3.592	JAN-21	293.2
SEP-21	3.586	MAR-21	291.5
DEC-21	3.654	MAY-21	290.6
JUL-21	3.750	JUL-21	293.1
SEP-21	3.806	AUG-21	293.9
DEC-21	3.840	SEP-21	293.6
MAR-22	3.750	OCT-21	292.3
TREND	MIXED	TREND	MIXED

PA MILK MARGIN & IOFC—LATEST PSU VALUES — *APR. 2020				CME DAIRY CASH-SETTLED FUTURES (\$/LB)				05/26/20		SPOT CASH		TREND
FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)		MAY	JUN	JUL	AUG	SEP	OCT	NOV	05/26/20	TREND
*APR. 7.48	*5.71	*7.61		0.850	0.994	1.068	1.096	1.082	1.122	1.140	1.0250	↑↑
*PREV MO 7.66	8.43	11.24		0.379	0.369	0.362	0.364	0.370	0.362	0.364	0.3400	↓↓
YR AGO 7.09	8.41	11.21		1.325	1.633	1.702	1.720	1.732	1.755	1.770	1.5800	↓↓
				1.306	1.848	1.782	1.720	1.721	1.751	1.747	See Below	
				CME SPOT CHEESE: BARRELS 1.9100 / 40 LB BLOCKS 1.9625				↑↑	↑↑			

ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)						CURRENT FEDERAL ORDER VALUES (\$/LB) * = *NEW					
CL I ADV	CL II	CL III	CL IV	ALL-MILK-U.S	ALL-MILK-PA	WEIGHTED AVG. 4-WK APR. 1-25, 2020	PRODUCT	VALUE	MAKEA003	NET	APR. 2020 COMPONENTS
*11.42(JUN)	13.87(APR)	13.07(APR)	11.40(APR)	18.00(MAR)	18.90(MAR)	CHEESE	1.4026	2.0003	1.2023	↓	PROT 2.4822
				3.96F	3.96F	BUTTER	1.2630	0.1715	1.0915	↓	B.FAT 1.3218
						NFDM	0.9552	0.1678	0.7874	↓	N.FAT 0.7795
						DRYWHEY	0.3732	0.1991	0.1741	↓	OTHER 0.1793

CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg. APRIL 1, 2020 sale New Holland, PA)										NO REPORT since 4/1/20										
COWS Fresh	1125	Bred	800	Springing	N/A	HEIFERS: Bred	775	Beef x (bred)	N/A	Springing	875	Open: 300-600 lbs Beef X	260	600-900 lbs	425	800-1200 lbs	N/A	BULLS (600-1800 lb)	700	
FOUR WEEK RUNNING AVG																				
	1075		950		850		750		N/A		850		300		N/A	475		600		750
Avg. of prices reported by USDA Market News for PA Auction Markets May 14, 2020										FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)		CURRENT		5 WEEKS AGO		YR AGO				
CULL MARKET COWS (\$/CWT LIVEWEIGHT)										Choice & Prime 1250-1550 lbs light test		89.00		75.00		88.50			↑↑	
Premium White										BULL CALVES: No. 1 & 2, 90-130 lbs		91.00		82.00		115.00			↑↑	
Breakers										70-85 lbs		72.00		N/A		75.00				
Boners																				
Lean																				
FIVE WEEKS AGO																				
YEAR AGO																				
N/A																				
67.85																				
66.50																				
54.00																				
47.85																				
N/A																				
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